

1992
QUARTERLY
REPORT

Period Ending
June 30, 1992



USMX

DEAR STOCKHOLDER:

USMX continues to maintain its steady course of growth as it strives to build a broader and more diversified base. The gold production rate at Alligator Ridge in Nevada is on schedule, and it is estimated that we will attain our 1992 production goal of 50,000 ounces. Based on current projections, as production and gold sales increase over the next several months, it seems probable that cash flow and the financial results of operations will also gradually improve during the last half of 1992, as compared to the slightly negative figures for the first half.

The evaluation of several opportunities with the potential to enhance near-term production in the Alligator Ridge area continues. Though somewhat dependent on projected gold prices and the grade of gold mineralization which may be defined by our exploration efforts, it is anticipated that an acceptable level of success will result from this effort.

Exploration and evaluation efforts, currently being pursued throughout western North America and Latin America, are proceeding very well. This program has proven to be most en-

couraging thus far in 1992. We are optimistic that several of the precious and base metal situations recently identified by USMX will provide very exciting results during the next year.

USMX is proud to announce that it is the recipient of this year's Nevada Excellence in Mining Reclamation Award. This is an award made jointly by the State of Nevada, U.S. Bureau of Land Management and U.S.D.A. Forest Service, and was given to USMX "in recognition of outstanding achievement in innovative design, superior mine planning and commitment to reclamation from project commencement to closure". The award is particularly gratifying because it not only recognizes the significant amount of reclamation work accomplished at our Green Springs property, but also recent environmental efforts at the Casino, Winrock and Yankee Mines. To achieve such recognition would not, of course, have been possible without considerable dedication and effort on the part of all of our employees.



James A. Knox
President and CEO September, 1992

FINANCIAL HIGHLIGHTS

USMX, INC. remains in strong financial condition with working capital at June 30, 1992 of \$11,805,000 or \$0.79 per share and stockholders' equity of \$19,852,000 or \$1.33 per share. The current ratio (the relationship of current assets to current liabilities) stands at 7.8 to 1.

Cash and cash equivalents decreased during the first half of 1992 by \$3,673,000. Cash was used to increase the Company's investment in property, plant and equipment and other assets by \$2,558,000 and to supplement operations by \$2,494,000. The Company received \$1,379,000 in proceeds from the sale of prop-

erty and equipment, including \$1,022,000 from a sale and leaseback of the Company's crushing plant currently in use at the Yankee project.

Cash used in operations is the result of the build up of stockpile and work in process inventories at Yankee as the mine completed the transition from the start up phase to the production phase. The Company achieved the first pour of gold bullion at Yankee near the end of the second quarter. Positive cash flows from operating activities are anticipated for the remainder of the year as the Company begins selling gold produced at Yankee and backlogged production from the renovated Alligator Ridge processing plant is eliminated.

During the second quarter, the Company obtained a \$3 million revolving credit facility from the Colorado National Bank of Denver. The facility was acquired to provide a source of working capital and short term bridge financing for use in acquisitions as the need arises.

For the quarter ended June 30, 1992, USMX reported a net loss of \$88,000 or \$0.006 per share compared to net income of \$239,000 or \$0.017 per share for the comparable quarter of 1991. Quarterly gold sales revenues were \$3.6 million this year compared to \$3.4 million for the same period last year. The higher revenue figure is attributable to selling more ounces (9,731 ounces in 1992 versus 8,492 ounces in 1991) despite a lower average sales price (\$370 per ounce in 1992 versus \$396 per ounce in 1991). The average London spot price for gold during the second quarter of 1992 was approximately \$339 per ounce. Also contributing to the operating results for the second quarter was an 11.2% increase in the average cost of sales to \$318 per ounce for the second quarter of 1992 (of which the cash component was \$258) from \$286 per ounce for the same quarter last year.

COST OF GOLD SOLD

Year Ending December 31, 1991 (Actual)

	Cash Cost	Non-Cash Cost	Percent of Total Ounces
Alligator Ridge.....	\$ 156	\$ 10	35%
Casino/Winrock	265	59	52%
Green Springs	227	32	13%
Yankee	0	0	0
Weighted Average	\$ 218	\$ 37	100%

Year Ending December 31, 1992 (Projected)

	Cash Cost	Non-Cash Cost	Percent of Total Ounces
Alligator Ridge.....	\$ 260	\$ 15	25%
Casino/Winrock	251	79	47%
Green Springs	0	0	0
Yankee	264	65	28%
Weighted Average	\$ 258	\$ 59	100%

For the first half of 1992, USMX reported a net loss of \$234,000 or \$0.016 per share compared to net income of \$578,000 or \$0.042 per share for the comparable period of 1991. First half gold sales revenues were \$6.3 million this year compared to \$6.9 million for the same period last year. The lower revenue figure is attributable to a lower average sales price (\$368 per ounce in 1992 versus \$390 per ounce in 1991) and fewer ounces sold (17,178 ounces in 1992 versus 17,765 ounces in 1991). The average London spot price for gold during the first half of 1992 was approximately \$345 per ounce.

Also contributing to the operating results for the first half of 1992 was a 10.5% increase in the average cost of sales to \$315 per ounce (of which the cash component was \$258) from \$285 per ounce for the same period last year. The fluctuation in the cost of ounces sold is a result of the change from year to year in the mix of production from the Company's mines and the change in the cost of production throughout the life of each mine as illustrated in part by the following table:

OPERATIONS- DEVELOPMENT

The second quarter of 1992 was highlighted by the first Yankee gold pour on June 24, 1992, only one year after receiving project approval. The Yankee Mine, which is located approximately six miles south of the Alligator Ridge Mine, is the Company's fourth producing gold property, and marks the successful development of our third new gold mine in the last four years.

Yankee is an open-pit, heap leach and carbon adsorption operation, with carbon stripping and electrowinning conducted at the recently modernized Alligator Ridge refinery. The designed ore mining and crushing rate of 50,000 tons per month is expected to result in the production of approximately 21,000 ounces of gold annually. The Yankee crushing plant, which is operated by USMX, is currently operating above original design capacity, and studies are underway to evaluate the potential of escalating gold production at this site in 1993.

The second quarter also saw the completion of mining and crushing operations at Winrock. Cash production costs for the balance of 1992 and 1993 will be favorably impacted, reflecting only leaching and administrative costs. Ongoing exploration in the Casino/Winrock area could potentially extend the life of the property.

Blast-aided re-leaching of the existing heaps at the Alligator Ridge Mine has progressed as expected, and early results from the ongoing Vantage feasibility study indicate that new ore production from existing pits can likely augment 1993 gold production at the property.

Rinsing and environmental stabilization of the heaps at Green Springs commenced in April. A cooperative program with the U.S. Bureau of Mines was initiated to investigate the effectiveness of bacterial destruction of cyanide. Heap rinsing to date has progressed favorably.

EXPLORATION

Exploration activities during the second quarter continued to focus on the Alligator Ridge properties located in White Pine County, Nevada and in northern Mexico where the Samalayuca copper property was recently acquired.

At Alligator Ridge, recent drilling on the Monitor target in the Yankee Mine area has identified significant gold mineralization over a distance of 1800 feet, outlining a narrow, shallow deposit with above average grade that should add approximately one year to the life of the Yankee Mine. At least nine other targets have been identified on the Yankee claims that remain to be tested. Drilling at Yankee will commence again during the third quarter to complete the evaluation of the Monitor deposit and to explore the other targets.

Recently, additional drilling efforts were initiated to accelerate completion of the exploration and development work required at Alligator Ridge. This definition drilling is currently being conducted on the Saga Project to further define three deposits discovered during the second quarter. The Saga deposits are proximal to a potential plant site designed to service the Galaxy and Horseshoe deposits, and favorable results may help to provide justification for proceeding with a mining complex in this area.

An exploration program to identify new reserves which can be processed at the Winrock plant site commenced during the second quarter. Several possibilities exist that may allow us to increase the production life of that plant.

On July 1, 1992, USMX entered into an Assignment Agreement whereunder we acquired the Gator deposit, located approximately one mile southeast of the Alligator Ridge Mine. A drilling program is currently being undertaken to confirm the reserve identified by previous lessors. We anticipate that, if economic, ore

from the Gator deposit can be transported to the existing facility at Alligator Ridge for processing. This property is subject to minimum advance royalty payments applicable against a four percent net smelter return royalty on production.

In the state of Chihuahua, Mexico, MXUS S.A. de C.V., USMX's wholly owned Mexican subsidiary, recently signed a lease on the Samalayuca copper property located approximately 45 kilometers south of El Paso, Texas. A preliminary evaluation of the property has identified

potential for a significant copper deposit that may be amenable to open pit mining and heap leaching. Drilling will commence during the fourth quarter to determine the grade and extent of the copper mineralization and to obtain material for metallurgical testing.

Evaluation and acquisition efforts are currently in progress with respect to several other properties in the United States and Latin America involving both precious and base metal type mineralization.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in Thousands)</i>	<i>June 30, 1992 (Unaudited)</i>	<i>Dec. 31, 1991</i>
ASSETS		
Cash and equivalents	\$ 1,850	\$ 5,523
Other current assets	11,689	8,617
Property, plant & equipment - net	11,042	11,690
Other assets	435	365
	<u>\$ 25,016</u>	<u>\$ 26,195</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$ 1,734	\$ 2,713
Long-term liabilities	1,680	1,680
Common stock subject to potential put	1,750	1,750
Stockholders' equity		
Common stock	15	15
Additional paid-in capital	15,760	15,728
Retained earnings	4,077	4,309
	<u>\$ 25,016</u>	<u>\$ 26,195</u>

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in Thousands, Except Per Share Amounts)				
	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Sales	\$ 3,602	\$ 3,366	\$ 6,318	\$ 6,932
Cost of sales	3,095	2,427	5,418	5,067
Gross profit	507	939	900	1,865
Operating expenses	828	845	1727	1,620
Income (loss) from operations	(321)	94	(827)	245
Other income, net	215	225	519	478
Income (loss) before income taxes	(106)	319	(308)	723
Income tax provision (benefit)	(18)	116	(74)	217
Income (loss) before extraordinary item	(88)	203	(234)	506
Extraordinary item	-	36	-	72
Net income (loss)	\$ (88)	\$ 239	\$ (234)	\$ 578
Net income (loss) per share	\$ (0.006)	\$ 0.017	\$ (0.016)	\$ 0.042
Weighted average shares outstanding	14,956	13,906	14,955	13,906

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in Thousands)	Six Months Ended June 30,	1992	1991
Net cash provided by (used in) operations	\$ (2,494)	\$ 172	
Net cash provided by (used in) investing activities:			
Capital additions and property acquisitions	(2,488)	(1,399)	
Proceeds from sale of property and equipment	1,379	-	
Other	(70)	(107)	
	(1,179)	(1,506)	
Net cash used in financing activities	-	(13)	
Net decrease in cash and equivalents	\$ (3,673)	\$ (1,347)	

	Six Months Ended June 30,	1992	1991
Supplemental Disclosure of Cash Flows Information			
Cash paid during the period for:			
Interest	\$ 1	\$ 1	
Income taxes	\$ 340	\$ 404	

USMX

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